

AUDIT COMMITTEE

Date of Meeting	Wednesday, 15 March 2017
Report Subject	School Reserves as at March 2016
Cabinet Member	Cabinet Member for Education
Report Author	Chief Officer (Education and Youth)
Type of Report	Operational

EXECUTIVE SUMMARY

This report provides an analysis of the financial reserves held by schools in Flintshire as at the 31 March 2016.

The level of reserves held by Flintshire schools at the end of March 2016 was £2.424m. This was an increase of £66k (2.8%) in overall balances compared with the reserves held at the end of March 2015. The level of reserves as a percentage of the delegated budget was 2.61% compared with 2.75% the previous year.

Whilst primary school positive balances have generally been maintained, secondary schools are increasingly struggling to balance their budgets. This is a pattern reported across Wales by members of the national education finance forum and corresponds broadly to the impact of demographic change alongside tighter public service budgets.

The average level of reserves held per pupil by schools in Flintshire was £103 per pupil. The Wales average across local authorities was £142 per pupil with the lowest at £49 per pupil and the highest £280 per pupil.

RECOMMENDATIONS

1	Members are requested to note the school reserves as at the 31 March 2016.
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REPORT DETAILS

1.00	EXPLAINING THE SCHOOL RESERVES REPORT																											
1.01	The analysis of reserves for each school in Flintshire as at the end of March 2016 is shown at appendix 1.																											
1.02	Overall secondary school balances have moved from a deficit of £115k in March 2015 to a deficit position of £455k in March 2016, a movement of £340k. The range of balances is a surplus of £99k (John Summers High School and Mold Alun) to a deficit of £320k (Holywell High School). Five secondary schools have deficit balances. It is of concern that of the 12 secondary schools in Flintshire, 8 are forecasting to be in a deficit position by the end of the current financial year.																											
1.03	<p>Primary school balances have increased by £467k (21%) to £2.682m. The range of balances is between a surplus of £113k to a deficit of £26k. There were 8 primary schools with deficits totalling £103k compared to March 2015 when there were 7 schools with deficits totalling £90k. There were 25 primary schools with balances greater than the £50k limit referenced in the School Funding Wales Regulations 2010 compared with 20 the previous year. The spread of primary school balances greater than the £50k limit is shown in the table below.</p> <table border="1" data-bbox="320 1016 1385 1361"> <thead> <tr> <th data-bbox="320 1016 676 1055">Balances</th> <th colspan="2" data-bbox="676 1016 1385 1055">Numbers</th> </tr> <tr> <td></td> <th data-bbox="676 1055 1031 1093">2014/15</th> <th data-bbox="1031 1055 1385 1093">2015/16</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 1093 676 1131">£50 - £59k</td> <td data-bbox="676 1093 1031 1131">7</td> <td data-bbox="1031 1093 1385 1131">8</td> </tr> <tr> <td data-bbox="320 1131 676 1169">£60- £69k</td> <td data-bbox="676 1131 1031 1169">7</td> <td data-bbox="1031 1131 1385 1169">3</td> </tr> <tr> <td data-bbox="320 1169 676 1207">£70- £79k</td> <td data-bbox="676 1169 1031 1207">2</td> <td data-bbox="1031 1169 1385 1207">6</td> </tr> <tr> <td data-bbox="320 1207 676 1245">£80- £89k</td> <td data-bbox="676 1207 1031 1245">1</td> <td data-bbox="1031 1207 1385 1245">5</td> </tr> <tr> <td data-bbox="320 1245 676 1283">£90- £100k</td> <td data-bbox="676 1245 1031 1283">1</td> <td data-bbox="1031 1245 1385 1283">1</td> </tr> <tr> <td data-bbox="320 1283 676 1321">100k+</td> <td data-bbox="676 1283 1031 1321">2</td> <td data-bbox="1031 1283 1385 1321">2</td> </tr> <tr> <td data-bbox="320 1321 676 1361"></td> <td data-bbox="676 1321 1031 1361"></td> <td data-bbox="1031 1321 1385 1361"></td> </tr> </tbody> </table>	Balances	Numbers			2014/15	2015/16	£50 - £59k	7	8	£60- £69k	7	3	£70- £79k	2	6	£80- £89k	1	5	£90- £100k	1	1	100k+	2	2			
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1.04	Specialist school balances have decreased by £62k.																											
1.05	<p>Surplus Balances</p> <p>For balances held at 31 March 2015 governing bodies must provide a statement on how they intend to use any surplus over the £50k for primary schools and over £100k for secondary schools and specialist schools. The Authority also requires a statement from schools as to the use that the governing body proposes to make of a surplus in the school balance which exceeds 5% of the school budget share or £10,000, whichever is the greater.</p> <p>The Schools Accounting Team request and scrutinise this information paying particular attention to those schools with balances over £50k/£100k.</p>																											
1.06	<p>The Scheme for Financing Schools has been reviewed recently and the treatment of surplus balances arising in 2016/17 will be as follows:</p> <p style="text-align: center;">The Authority will automatically claw back year end balances which exceed 5% of the delegated school budget. Schools may request to</p>																											

	<p>carry forward a balance greater than 5% which will be considered and approved by the Chief Education Officer and must be received with the following year's budget plan by the 30 June. School will receive a decision on retention of surplus balances by 14 July.</p> <p>In addition:</p> <p>(a) the Authority may direct the governing body as to how to spend a surplus in the school balance for a funding period, if–</p> <p>(i) in the case of a primary school the surplus is £50,000 or more, and</p> <p>(ii) in the case of a secondary school or a special school the surplus is £100,000 or more;</p> <p>Schools with balances above the limits in (a) above will be required to invite the Education and Youth Finance Manager to a meeting of the governing body to discuss their balances.</p>
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1.07	<p>Deficit Balances</p> <p>Governors have no legal right to set a deficit budget without the consent of the Local Authority and should not presume that such consent will be granted.</p> <p>However, the Local Authority will consider approving a licensed deficit to a school where it agrees that there are circumstances in which it would be unreasonable for that school to balance its budgets in the current financial year.</p> <p>Outside this provision, schools should ensure that total planned expenditure for the financial year should not exceed the budget share, adjusted by amounts carried forward from the previous financial year. The Local Authority has no power to write off the deficit balance of any school. Deficit balances are carried forward every year by the deduction of the relevant amounts from the following year's budget share.</p> <p>The Local Authority has developed a template for schools to complete if they are anticipating that they will go into a licensed deficit position. This is attached at Appendix 2.</p>
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2.00	RESOURCE IMPLICATIONS
2.01	The impact of continuing austerity measures on the operational and financial resilience of some schools is an area of concern.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	A school balances report was taken to the September meeting of the Flintshire Schools Budget Forum and to the October Education and Youth Scrutiny Committee. There has been consultation with Heads Federations. The change to the Scheme for Financing schools was subject to a formal

	consultation period with schools.
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4.00	RISK MANAGEMENT
4.01	As funding levels to schools decrease in real terms as a consequence of the austerity measures facing local government there is a risk that more schools will slip into a deficit position. The Schools Accounting Team have developed a risk rating process to identify schools where the financial position is a cause for concern.
4.02	Schools forecasting a significant deficit position will be required to apply for a licensed deficit. The application will be reviewed by the Finance Manager and approval granted by the Chief Officer and Corporate Finance Manager.
4.03	Additional support is being provided to schools with significant financial pressures over and above the level of the Service Level Agreement in order to support restructuring of the workforce and other efficiencies.
4.04	If requested by the Chief Education Officer schools are required to explain their financial position as part of the Schools Standard Monitoring process.

5.00	APPENDICES
5.01	Appendix 1 - Summary of School Reserves as at September 2016
5.02	Appendix 2 - Licensed Deficit Application Template

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>http://gov.wales/docs/statistics/2016/161020-reserves-held-schools-31-march-2016-en.pdf</p> <p>Contact Officer: Lucy Morris, Finance Manager Telephone: 01352 704016 E-mail: Lucy.morris@Flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>School Reserves</p> <p>Reserves are sums of money that schools carry forward from one year to the next. They arise from underspends (surplus) and overspends (deficit) against school allocations over time. Schools are responsible for managing their own finances. The level of reserves held by an individual school will depend on a number of factors. These will include the timing of receipt of income and of payments, and the level of contingency fund the school</p>

	governing body expenditure.
7.02	<p>Schools Budget Forum</p> <p>The Flintshire Schools Budget forum is established in accordance with Section 47A of the School Standards and Framework Act 1998 as amended and the Schools Forums (Wales) Regulations 2003. The Local Authority is required to consult with the Forum on all financial matters which may affect schools. The Forum comprises 32 members drawn from Governors, Headteachers, Elected Members, Union Officials, Diocesan and Senior Officers. The Forum meets at least 3 times per year.</p>
7.03	<p>Scheme for Financing Schools</p> <p>In accordance with the School Funding (Wales) Regulations 2010 the Authority is required to have a 'Scheme' which sets out the financial relationship between the Authority and Schools.</p>